

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF WEST DAVIESS)
COUNTY WATER DISTRICT FOR A) CASE NO. 9412
TEMPORARY RATE REDUCTION)

O R D E R

On June 20, 1985, the Commission issued its Final Order in Case No. 9146, the Application of West Daviess County Water District ("West Daviess") for a Rate Revision for Non-Recurring Charges Pursuant to 807 KAR 5:011(10). In that Order the Commission found that West Daviess' earnings were excessive and ordered it to either file an application for a rate reduction or provide reasons why its rates should not be reduced. On August 27, 1985, West Daviess filed such an application. The application proposed a revenue decrease of \$38,340 annually from \$484,819 to \$446,479, which would result in a debt service coverage ratio ("DSC") of 1.232X. West Daviess proposed to implement this reduction in annual revenue by deducting \$1.50 from each customer's monthly bill.

West Daviess' customers are presently charged under a declining block rate schedule. The Commission determined that a billing analysis should be performed in order to determine the most equitable method of implementing the reduction.

After reviewing the results of the billing analysis it was determined that to properly reduce the rates of West Daviess the

rates should be reduced proportionally; that is, in each rate increment. To give each customer a \$1.50 per month reduction would be unfair to the larger users because they contribute more revenue than the small users and therefore are entitled to a larger reduction.

West Daviess' current declining block rate schedule contains 12 rate increments. The last two rate increments provide for a rate of 65 cents per 1,000 gallons and 50 cents per 1,000 gallons. West Daviess purchased its water during the test year at a rate of approximately 69 cents per 1,000 gallons. Therefore, the last two steps in West Daviess' rate schedule do not cover its cost of purchased water. The Commission is of the opinion that the last two rate steps should not be decreased since they presently do not cover the cost of purchased water. Moreover, the Commission is of the opinion that West Daviess should review its present rate schedule now in effect and in its next rate case before the Commission propose a rate schedule that is fair, just and reasonable for all its customers.

On December 19, 1985, the Commission issued its staff report on the billing analysis inspection with comment from West Daviess due in writing by December 30, 1985. No comment from West Daviess was received by the Commission.

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The revenue reduction of \$38,340 proposed by West Daviess should be approved.

2. The rates in Appendix A will reduce the revenue of West Daviess by \$38,340 annually and will produce gross annual revenue sufficient to pay West Daviess operating expenses, service its debt, and provide a reasonable surplus for equity growth.

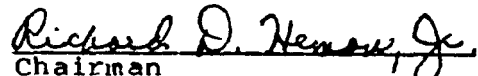
IT IS THEREFORE ORDERED that:

1. The rates in Appendix A be and they hereby are approved for service rendered by West Daviess on and after the date of this Order.

2. Within 30 days from the date of this Order West Daviess shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 3rd day of February, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9412 DATED FEBRUARY 3, 1986

The following rates and charges are prescribed for the customers in the area served by West Daviess County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

First	2,000 gallons	\$5.70 Minimum Bill
Next	2,000 gallons	2.25 per 1,000 gallons
Next	2,000 gallons	1.85 per 1,000 gallons
Next	4,000 gallons	1.65 per 1,000 gallons
Next	20,000 gallons	1.50 per 1,000 gallons
Next	20,000 gallons	1.35 per 1,000 gallons
Next	20,000 gallons	1.20 per 1,000 gallons
Next	30,000 gallons	1.05 per 1,000 gallons
Next	50,000 gallons	.95 per 1,000 gallons
Next	50,000 gallons	.80 per 1,000 gallons
Next	50,000 gallons	.65 per 1,000 gallons
Over	250,000 gallons	.50 per 1,000 gallons